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Attorneys for Northern Sunrise Water Company
and Southern Sunrise Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
NORTHERN SUNRISE WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER UTILITY
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20453A-06-0247

IN THE MATTER OF THE APPLICATION OF
SOUTHERN SUNRISE WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND
NECESSITY TO PROVIDE WATER UTILITY
SERVICE IN COCHISE COUNTY, ARIZONA.

DOCKET NO. W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION
OF NORTHERN SUNRISE WATER COMPANY
AND SOUTHERN SUNRISE WATER COMPANY
FOR THE APPROVAL OF SALE AND TRANSFER
OF WATER UTILITY ASSETS, AND
CANCELLATION OF CERTIFICATES OF
CONVENIENCE AND NECESSITY, FOR
MIRACLE VALLEY WATER COMPANY,
COCHISE WATER COMPANY, HORSESHOE
RANCH WATER COMPANY, CRYSTAL WATER
COMPANY, MUSTANG WATER COMPANY,
CORONADO ESTATES WATER COMPANY, AND
SIERRA SUNSET WATER COMPANY, LOCATED
IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251
W-20454A-06-0251
W-01646A-06-0251
W-01868A-06-0251
W-02235A-06-0251
W-02316A-06-0251
W-02230A-06-0251
W-01629A-06-0251
W-02240A-06-0251

**APPLICANTS' NOTICE OF
FILING OF LATE-FILED
EXHIBITS**

Northern Sunrise Water Company ("Northern Sunrise") and Southern Sunrise Water Company ("Southern Sunrise") (collectively, "Applicants") hereby submit this Notice of Late-Filed Exhibits in the above-referenced matter. The attached **Exhibit A** is filed in response, and as an alternative, to Staff's late-filed Exhibit 4, pages 3 of 3 and 4 of 4 ("Exhibit 4"). For purposes

1 of clarifying the record, Applicants hereby do raise an objection to Staff's late-filed Exhibit 4.
2 Staff applied the "negative goodwill" rate base adjustment first proposed by Commissioner Marc
3 Spitzer, and adopted by the Arizona Corporation Commission ("Commission") in Decision No.
4 68412 ("Spitzer Adjustment"), solely to Land and Land Rights.

5 Applicants assert that it is inappropriate to apply the Spitzer Adjustment to land value and
6 land rights because the "negative goodwill" did not rise from McLain's ownership of the land.
7 Rather, the Commission applied "negative goodwill" to the McLain systems' rate base because of
8 inadequate service caused by physical infrastructure and plant equipment that had deteriorated the
9 water systems considerably. As a result, Applicants have applied the Spitzer Adjustment solely
10 to infrastructure and plant equipment, as more fully set forth in **Exhibit A**.

11 DATED this 12th day of June, 2006.

12 FENNEMORE CRAIG, P.C.

13
14 By: 

15 Jay L. Shapiro
16 Patrick J. Black
17 Attorneys for Applicants,
Northern Sunrise Water Company and
Southern Sunrise Water Company

18 ORIGINAL and 33 copies delivered
19 this 12th day of June, 2006 to:

20 Docket Control
21 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

22 Copy hand-delivered
23 this 12th day of June, 2006, to:

24 Hearing Division
25 Arizona Corporation Commission
1200 W. Washington St.
26 Phoenix, AZ 85007

1 Ernest Johnson
2 Arizona Corporation Commission
3 1200 W. Washington St.
Phoenix, AZ 85007

4 Chris Kempley
5 Arizona Corporation Commission
6 1200 W. Washington St.
Phoenix, AZ 85007

7 Copy mailed
8 this 12th day of June, 2006, to:

9 Steven L. Wene, Esq.
10 MOYES STOREY
1850 North Central Avenue, #1100
Phoenix, AZ 85004

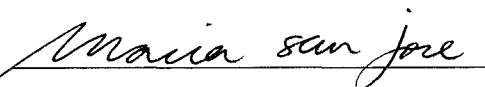
11 Johnny McLain
12 7110 East Jaxel Road
Hereford, AZ 85615

13 Johnny and Linda McLain
14 P.O. Box 2903
Sierra Vista, AZ 85636

15 Arizona Small Utilities Association
16 210 North Central Avenue, Suite 6B
Avondale, AZ 85323

17 Copy emailed and mailed
18 this 12ⁿ day of June, 2006 to:

19 Jane Rodda, Administrative Law Judge
20 Hearing Division
21 Arizona Corporation Commission
400 West Congress
Tucson, AZ 85701
JRodda@azcc.gov

22 
23

24 1803689
25
26

Exhibit A

to

**Applicants' Notice of Filing
Late-Filed Exhibits**

ALLOCATION OF SPITZER ADJUSTMENT BASED ON HARD ASSET VALUES
NOT INCLUDING LAND

Mustang

	<u>RCND</u>	<u>ROO</u> <u>Amount</u>	<u>Spitzer</u> <u>Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 5,000	\$ 10,000		\$ 10,000
304 Structures and Improvements	-	-	-	\$ -
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	8,216 #	8,216	(680)	\$ 7,536
330 Distr. Reservoirs & Standpipe	-	-	-	\$ -
331 Transmission and Distribution	7,056 #	7,056	(584)	\$ 6,472
333 Services	-	-	-	\$ -
335 Hydrants	-	-	-	\$ -
	<u>\$ 20,272</u>	<u>\$ 25,272</u>	<u>\$ (1,264)</u>	<u>\$ 24,008</u>

Crystal

	<u>RCND</u>	<u>ROO</u> <u>Amount</u>	<u>Spitzer</u> <u>Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 2,500	\$ 5,000		\$ 5,000
304 Structures and Improvements	194	194	(13)	\$ 181
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	5,878	5,878	(392)	\$ 5,486
330 Distr. Reservoirs & Standpipe	-	-	-	\$ -
331 Transmission and Distribution	8,931	8,931	(595)	\$ 8,336
333 Services	-	-	-	\$ -
335 Hydrants	-	-	-	\$ -
	<u>\$ 17,503</u>	<u>\$ 20,003</u>	<u>\$ (1,000)</u>	<u>\$ 19,003</u>

Sierra

	<u>RCND</u>	<u>ROO</u> <u>Amount</u>	<u>Spitzer</u> <u>Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 500	\$ 1,000		\$ 1,000
304 Structures and Improvements	141	141	(7)	\$ 134
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	6,500	6,500	(343)	\$ 6,157
330 Distr. Reservoirs & Standpipe	4,680	4,680	(247)	\$ 4,433
331 Transmission and Distribution	6,176	6,176	(325)	\$ 5,851
333 Services	1,065	1,065	(56)	\$ 1,009
335 Hydrants	-	-	-	\$ -
	<u>\$ 19,062</u>	<u>\$ 19,562</u>	<u>\$ (978)</u>	<u>\$ 18,584</u>

Coronado

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 6,373	\$ 12,746		\$ 12,746
304 Structures and Improvements	-	-	-	\$ -
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	4,000	4,000	(335)	\$ 3,665
330 Distr. Reservoirs & Standpipe	-	-	-	\$ -
331 Transmission and Distribution	14,821	14,821	(1,243)	\$ 13,578
333 Services	-	-	-	\$ -
335 Hydrants	-	-	-	\$ -
	<u>\$ 25,194</u>	<u>\$ 31,567</u>	<u>\$ (1,578)</u>	<u>\$ 29,989</u>

NORTHERN

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 14,373	\$ 28,746	\$ -	\$ 28,746
304 Structures and Improvements	335	335	(20)	\$ 315
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	24,594	24,594	(1,750)	\$ 22,844
330 Distr. Reservoirs & Standpipe	4,680	4,680	(247)	\$ 4,433
331 Transmission and Distribution	36,984	36,984	(2,748)	\$ 34,236
333 Services	1,065	1,065	(56)	\$ 1,009
335 Hydrants	-	-	-	\$ -
	<u>\$ 82,031</u>	<u>\$ 96,404</u>	<u>\$ (4,820)</u>	<u>\$ 91,584</u>

ALLOCATION OF SPITZER ADJUSTMENT BASED ON HARD ASSET VALUES

NOT INCLUDING LAND

Miracle

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 2,500	\$ 7,750		\$ 7,750
304 Structures and Improvements	-	-	-	\$ -
307 Wells and Springs	-	-	-	\$ -
311 Pumping Equipment	6,855	6,855	(506)	\$ 6,349
330 Distr. Reservoirs & Standpipe	-	-	-	\$ -
331 Transmission and Distribution	9,394	9,394	(694)	\$ 8,700
333 Services	-	-	-	\$ -
335 Hydrants	-	-	-	\$ -
	<u>\$ 18,749</u>	<u>\$ 23,999</u>	<u>\$ (1,200)</u>	<u>\$ 22,799</u>

Horseshoe

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 15,000	\$ 30,000		\$ 30,000
304 Structures and Improvements	1,287	1,287	(243)	\$ 1,044
307 Wells and Springs	21,050	21,050	(3,967)	\$ 17,083
311 Pumping Equipment	1,500	1,500	(283)	\$ 1,217
330 Distr. Reservoirs & Standpipe	30,556	30,556	(5,759)	\$ 24,797
331 Transmission and Distribution	62,273	62,273	(11,737)	\$ 50,536
333 Services	-	-	-	\$ -
335 Hydrants	300	300	(57)	\$ 243
	<u>\$ 131,966</u>	<u>\$ 146,966</u>	<u>\$ (22,045)</u>	<u>\$ 124,921</u>

Cochise

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 172,129	\$ 346,257		\$ 346,257
304 Structures and Improvements	-	-	-	\$ -
307 Wells and Springs	5,775	5,775	(1,028)	\$ 4,747
311 Pumping Equipment	34,492	34,492	(6,139)	\$ 28,353
330 Distr. Reservoirs & Standpipe	95,000	95,000	(16,909)	\$ 78,091
331 Transmission and Distribution	-	-	-	\$ -
333 Services	-	-	-	\$ -
335 Hydrants	-	-	-	\$ -
	<u>\$ 307,396</u>	<u>\$ 481,524</u>	<u>\$ (24,076)</u>	<u>\$ 457,448</u>

SOUTHERN

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 189,629	\$ 384,007	\$ -	\$ 384,007
304 Structures and Improvements	1,287	1,287	(243)	\$ 1,044
307 Wells and Springs	26,825	26,825	(4,995)	\$ 21,830
311 Pumping Equipment	42,847	42,847	(6,928)	\$ 35,919
330 Distr. Reservoirs & Standpipe	125,556	125,556	(22,668)	\$ 102,888
331 Transmission and Distribution	71,667	71,667	(12,430)	\$ 59,237
333 Services	-	-	-	\$ -
335 Hydrants	300	300	(57)	\$ 243
	<u>\$ 458,111</u>	<u>\$ 652,489</u>	<u>\$ (47,321)</u>	<u>\$ 605,168</u>

TOTAL

	<u>RCND</u>	<u>ROO Amount</u>	<u>Spitzer Adjustment</u>	<u>68412</u>
303 Land and Land Rights	\$ 204,002	\$ 412,753	\$ -	\$ 412,753
304 Structures and Improvements	1,622	1,622	(263)	\$ 1,359
307 Wells and Springs	26,825	26,825	(4,995)	\$ 21,830
311 Pumping Equipment	67,441	67,441	(8,678)	\$ 58,763
330 Distr. Reservoirs & Standpipe	130,236	130,236	(22,915)	\$ 107,321
331 Transmission and Distribution	108,651	108,651	(15,178)	\$ 93,473
333 Services	1,065	1,065	(56)	\$ 1,009
335 Hydrants	300	300	(57)	\$ 243
	<u>\$ 540,142</u>	<u>\$ 748,893</u>	<u>\$ (52,141)</u>	<u>\$ 696,752</u>